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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY  
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0105  
RUEHCV/AMEMBASSY CARACAS PRIORITY 0419  
RUEHME/AMEMBASSY MEXICO PRIORITY 6674  
RUEHFR/AMEMBASSY PARIS PRIORITY 0280  
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0054  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC PRIORITY 0450

C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 001427

SIPDIS

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SIPDIS

STATE FOR EB/ESC, WHA/EPSC, WHA/PPC, AND WHA/CEN  
STATE FOR D, E, P, AND WHA  
TREASURY FOR JHOEK  
STATE PASS AID FOR LAC/CAM  
NSC FOR DAN FISK

E.O. 12958: DECL: 08/08/2016

TAGS: [EPET](#) [PINR](#) [PGOV](#) [HO](#) [VE](#)

SUBJECT: HONDURAS: DIPPSA NOT SOLD YET, BUT BOTH RECA AND  
VENEZUELAN FIRM REMAINS INTERESTED

REF: TEGUC 1393 AND PREVIOUS

Classified By: AMB Charles Ford for reasons 1.4 (b) and (d)

11. (C) Henry Arevalo, President and owner of Honduran gasoline distribution company DIPPSA, confirmed to Ambassador and EconChief on August 8 that he had not concluded the sale of his company and continues to seek a buyer. According to Arevalo, uncertainty surrounding the pending national fuel bid solicitation "scared off" other bidders, such as Trafigura. Caribbean Petrochemical -- a company founded in June 2006 with only USD 100 in capitalization -- has also contacted Arevalo to withdraw its alleged USD 65 million offer for his company. According to Arevalo, CPC belatedly realized that the nationalization of imports and bid solicitation underway could create an import monopoly, damaging DIPPSA's ability to compete and potentially exposing it to millions of dollars in losses. (Comment: This is true, but CPC seems to have arrived at this insight rather late in its attempt to purchase DIPPSA. End Comment.)

12. (C) Arevalo has been approached by Venezuelan company Luky Oil, which has indicated an interest in purchasing DIPPSA for an unidentified sum. Arevalo admitted that he favors selling his firm outright to any respectable bidder, and sought Post's views on Luky as a suitor. Post undertook to check on Luky's bona fides, and has learned from AmEmbassy Caracas that Luky is "pre-operational" and its address is located in a residential area. The firm is unknown to experienced sector contacts and is not listed in sector guides. AmEmbassy Caracas concludes the firm is potentially a front for other interests, possibly including the GOV. (Comment: Luky claims the firm is unrelated to either PDVSA or the GOV, though AmEmbassy Caracas' investigations tend to cast doubt on this assertion. Furthermore, it strikes Post as odd that Luky should wish to buy DIPPSA, given uncertainties in the market here and DIPPSA's reportedly dim future prospects. Post will remain vigilant to any evidence that Luky is collaborating with PDVSA or the GOV in any form of non-transparent manipulation of this purchase or the

ongoing GOH bid solicitation process. End Comment.)

13. (C) Arevalo was also approached once again by dealmaker Adrien Reca, accompanied by business partner Marc Olivier and father-in-law (and close personal friend of President Zelaya) Bernardo Casanova. Reca again told Arevalo that he was "only days away" from securing an estimated USD 30 million financing for the deal. According to Arevalo, the remainder (Note: Perhaps another USD 40 million. End note.) would be financed from cash receipts from sales of the first three months' deliveries of PDVSA petroleum. Reca indicated PDVSA had agreed to extend him 120 day repayment terms, allowing him to use oil acquired on credit to bootstrap his effort. Arevalo was at a loss to explain either why PDVSA would offer such generous terms or what Reca might have offered in exchange. Arevalo again dismissed Reca and rejected his offer with a wave of his hand, saying "there's no such thing as a free lunch." (Note: It was Arevalo's understanding that Reca had just returned from a trip that included stops in Venezuela and the Dominican Republic. End Note.)

14. (C) Regarding the conduct of the bid solicitation, Arevalo said there were "growing uncertainties," including a legal challenge asserting that the GOH lacks the legal authority to launch such a process. Arevalo independently confirmed what Post already knew: that Esso has chosen not to participate and further has informed the GOH that it intends to continue importing under its own license, and using its own offloading and storage terminals. In effect Esso is ignoring the solicitation process in its entirety, and practically daring the GOH to stop them from continuing business as usual. Texaco's position, Arevalo said, is "unclear" and "difficult to understand." Private sector

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umbrella group COHEP has also undertaken a detailed legal review of the terms of reference and has submitted over 30 pages of comments to the GOH.

15. (C) Arevalo closed by highlighting the political and financial pressures he is under to conclude some form of deal. He noted that the GOH has continued to fail in its repayment obligation to reimburse his and other gasoline retailers for losses absorbed at the pumps under the GOH-mandated price freeze. Arevalo said those arrears now total between 140 and 180 million lempiras, or nearly USD 10 million. (Note: Post has heard figures of more than USD 18 million from other company representatives. End note.) While little more than an irritant to a firm the size of an Esso, for DIPPSA such arrears are beginning to cut into operating capital. In addition, President Zelaya has on more than one occasion told Arevalo that he would have preferred the GOH itself purchase DIPPSA. This comment echoes one made by Reca, who told Arevalo the ultimate ownership of DIPPSA under his scheme could be 51 percent Reca and associates and 49 percent GOH.

16. (C) Comment: Arevalo helped build DIPPSA from its inception, and Post was convinced of his early desire to seek a strategic partner while retaining management control. That seems to have changed, as even Arevalo has ceased trying to keep that option open and now explicitly seeks only to sell his company lock, stock, and storage tanks. The financial and political pressures are becoming more than he is willing (or perhaps able) to withstand, and the business climate is clearly deteriorating. Post assesses that, with a nod from the USG, Arevalo would be prepared to sell as soon as possible. End Comment.

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